

Message Text

CONFIDENTIAL

PAGE 01 ROME 16482 261623Z

64

ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 INR-01 CIAE-00

TRSE-00 FRB-01 RSC-01 /016 W

----- 118978

R 261524Z NOV 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8385

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L ROME 16482

LIMDIS GREENBACK

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: ITALIAN VIEWS ON OUTCOME OF G-10 DEPUTIES
MEETING

1. SUMMARY. ITALIANS WERE REASONABLY SATISFIED WITH
OUTCOME OF G-10 DEPUTIES MEETING IN PARIS ON NOVEMBER
20-21. THEY WERE DISAPPOINTED IN RESERVED POSITIONS
TAKEN BY SEVERAL G-10 MEMBERS RE US \$25 BILLION
RECYCLING PROPOSAL. THEY THOUGHT THAT POSITIONS ON
INCREASE IN IMF QUOTAS WERE CONVERGING. END SUMMARY.

2. MINISTRY OF TREASURY DIRECTOR GENERAL PALUMBO TOLD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 16482 261623Z

TREASATT NOVEMBER 26 THAT ITALIAN DELEGATES WERE

REASONABLY SATISFIED WITH DISCUSSION OF US \$25 BILLION RECYCLING PROPOSAL. HOWEVER, ITALIANS HAD BEEN DISAPPOINTED IN RATHER RESERVED POSITIONS TAKEN BY GERMANY AND JAPAN. RETICENCE OF FRENCH WAS TO BE EXPECTED AND BRITISH ALWAYS TENDED TO TAKE INITIAL WAIT-AND-SEE ATTITUDE. PALUMBO SAID THAT ONLY ITALY AND CANADA STRONGLY SUPPORTED US INITIATIVE. NEVERTHELESS, EXPERT GROUP HAD BEEN FORMED TO STUDY US IDEAS. UK PROPOSAL FOR VERY LARGE IMF OIL FACILITY HAD NOW BEEN COMBINED WITH US AND OECD PROPOSALS, SO THAT UK WAS NOT PUSHING FOR COMPETING SCHEME. RESERVED POSITIONS TAKEN BY SEVERAL COUNTRIES SEEMED TO REFLECT FEAR OF CONFRONTATION WITH OIL PRODUCERS, ON ONE HAND, AND RELUCTANCE TO MINIMIZE ROLE OF IMF SO AS TO CONVERT IT INTO BODY MAINLY RESPONSIBLE FOR LDC PROBLEMS.

3. PALUMBO SAID THAT GOI WAS AWARE OF HIGHER COST INVOLVED IN OPTING FOR GUARANTEE VERSION OF RECYCLING SCHEME RATHER THAN FOR DIRECT CREDITS, BUT GUARANTEES MIGHT BE EASIER FOR SELL TO PARLIAMENTS. HE ALSO SPOKE FAVORABLY OF USE OF BIS AS AGENT FOR RECYCLING SCHEME, SINCE BIS WAS ALREADY EXISTING BODY WHICH HAD CONSIDERABLE FLEXIBILITY IN ITS MODE OF OPERATIONS. FOR EXAMPLE, IT COULD RAISE MONEY IN CAPITAL MARKETS AND WAS ALSO FREE TO ACCEPT DEPOSITS, INCLUDING THOSE FROM OIL PRODUCERS, IF THE LATTER BEGAN TO FIND IT DIFFICULT TO SUCCESSFULLY PLACE THEIR PETRODOLLARS IN MARKETS.

4. PALUMBO SAID THAT US IDEA FOR CREATION OF TRUST FUND IN IMF FOR LDC'S HAD NOT BEEN DISCUSSED IN DEPTH BUT WOULD ALSO BE STUDIED BY EXPERT GROUP. IT WAS NOT ENTIRELY CLEAR TO HIM HOW TRUST FUND WOULD RELATE TO PROPOSED EXPANDED IMF OIL FACILITY. HE SAID THAT US IDEA FOR CREATING FUND TO FINANCE INVESTMENT IN ENERGY SECTOR WAS NOT THE RESPONSIBILITY OF G-10 BUT RATHER OF IEA. FORTUNATELY, MANY OFFICIALS WERE THE SAME IN THESE TWO BODIES SO THAT THEIR CLOSE COOPERATION SHOULD NOT BE TOO DIFFICULT. ITALY WAS QUITE INTERESTED IN INVESTMENTS TO CREATE ALTERNATIVE ENERGY SOURCES. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 16482 261623Z

5. AS REGARDS INCREASE IN IMF QUOTAS, PALUMBO THOUGHT THAT THERE HAD BEEN SOME CONVERGENCE OF OPINIONS, WITH RANGE OF PROPOSED INCREASE IN QUOTAS NOW 25-50 PERCENT. HE THOUGHT THAT COMPROMISE MIGHT BE REACHED ON INCREASE IN RANGE 30-33 PERCENT. PALUMBO DESCRIBED POSSIBLE AGREEMENT ON PAYMENT OF OLD GOLD TRANCHE PORTION OF NEW QUOTAS, WITH PAYMENTS TO BE MADE IN

SDR'S OR NATIONAL CURRENCIES. SUBSEQUENTLY, INTERIM COMMITTEE OR ITS SUCCESSOR MIGHT BE GIVEN AUTHORITY PERIODICALLY TO ESTABLISH CONDITIONS FOR PAYMENTS OF QUOTA INCREASES SO AS TO AVOID NEED FOR REPEATED APPROVAL BY PARLIAMENTS OF ANY NECESSARY CHANGES IN PAYMENT CONDITIONS. PALUMBO THOUGHT THAT US WAS NOT ANXIOUS TO CONCLUDE NEGOTIATIONS ON SIZE OF QUOTA INCREASE UNTIL ENTIRE PACKAGE OF AGREEMENTS ON IMF-RELATED ISSUES WAS CLEARER. VOLPE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC COOPERATION, PETROLEUM, MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME16482
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740343-0563
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741111/aaaaajey.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by izenbei0>; APPROVED <14-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN VIEWS ON OUTCOME OF G-10 DEPUTIES MEETING
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005